

1975 TWENTY SECOND ANNUAL REPORT
PETROFINA CANADA LTD.



AR13



FINA CANADA
DUNKERQUE

The FINA CANADA carries an average cargo of some 1,500,000 barrels of crude oil. She is one of many vessels carrying crude oil to Petrofina companies around the world.

HIGHLIGHTS OF THE YEAR

FINANCIAL

	1975	1974
Revenues	\$398,756,000	\$360,578,000
Cash generation from operations	76,684,000	65,771,000
— per common share	7.68	6.59
Net earnings	32,766,000	30,561,000
— per common share	3.28	3.06
Dividends paid on common shares	10,973,000	8,978,000
— per common share	1.10	.90
Capital expenditures	32,954,000	34,443,000
Long-term debt at end of year	93,636,000	108,261,000
Shareholders' equity at end of year	231,998,000	210,205,000
Working capital	71,930,000	50,683,000
Return on average capital employed	11.9%	12.9%
Salaries, wages, employees benefits	34,675,000	28,519,000

OPERATING

Production of crude oil and natural gas liquids		
— gross (barrels)	7,664,000	9,455,000
Natural gas produced and sold		
— gross (thousands of cubic feet)	30,525,000	30,935,000
Sales of sulphur (long tons)	144,500	173,000
Crude oil runs to refinery (barrels)	26,601,000	22,639,000

Ce rapport a été publié en français et en anglais. Si vous préférez un exemplaire français, veuillez en faire la demande au:

Secrétaire, Petrofina Canada Ltée,
1 Place Ville Marie, Montréal, H3B 4A9
Québec, Canada.

TO THE SHAREHOLDERS

Despite changing economic and political developments which complicated the operations of the oil industry, your Company had a reasonably satisfactory year. Net earnings amounted to \$32,766,000 (\$3.28 per share) compared with \$30,561,000 (\$3.06 per share) in 1974.

Cash generated from operations was \$76,684,000 (\$7.68 per share) compared with \$65,771,000 (\$6.59 per share) in the previous period. Complete details of the Company's financial operations appear in another section of this report.

The year 1975 produced renewed international tensions, extensive labour unrest and a global recession, accompanied by substantial unemployment which, in Canada, reached a high figure of 7.3% of the labour force.

In October, economic uncertainties were further compounded by the announcement of wage and price controls. It is to be hoped that the Federal Government's efforts to reduce Canada's high inflation rate will be successful. Your Company will support these endeavours to the fullest extent.

The gross national product of Canada increased by 10% to \$155 billion, but no real growth was registered and, in fact, a decline in terms of constant dollars occurred in the amount of approximately 1% in the year.

Production of crude oil and natural gas liquids declined by 12% to 1.8 million barrels per day. A portion of this was reflected by restrictions in exports to the United States which showed a decrease of 22% compared with 1974.

Natural gas sales increased by only 1% to 6.2 billion cubic feet per day. Similarly, the Canadian demand for refined petroleum products increased 1% to average 1,711,000 barrels per day.

The fundamental concern of the Canadian petroleum industry today is the availability of crude oil reserves needed by Canada to meet its energy demands of the future. In order to conserve its resources Canada has already become a net importer of crude oil and this unsatisfactory situation is expected to continue, possibly becoming critical within a few years. Recently there have been some indications that all levels of government recognize the problems of the industry and less rigid attitudes appear to have developed. It will only be by mutual effort and understanding by industry and governments that Canada's self-sufficiency goals can be reached.

During the year several changes occurred in the Board of Directors. Mr. Trajan Nitescu, a director for 15 years, did not stand for re-election due to mandatory age limitations. He had been associated with the Petrofina group in Canada for a quarter of a century and for many years was the head of the Company's Exploration and Production Department. Mr. Nitescu's devotion and wise counsel will be missed by his associates.

Three new directors were elected to the Board. John D. Leitch, President of Upper Lakes Shipping Ltd., R.I. Galland, President of American Petrofina, Incorporated, and K.S.C. Mulhall, Senior Vice-President and Treasurer of the Company.

While the Company operates its business utilizing modern and sophisticated technical equipment, it is the staff of over 2,000 employees who ensure the successful operation of the organization. The directors acknowledge the contribution made by the staff and express their sincere appreciation to each and every one of the employees.

EXPLORATION AND PRODUCTION

The 1975 sales of crude oil and natural gas liquids totalled 7.7 million barrels before royalty, compared with 9.5 million the previous year. The daily average was 21,000 barrels as opposed to 26,000 in 1974.

Natural gas sales before royalty were 30.5 billion cubic feet, compared with 30.9 billion last year, and sulphur sales were 144.5 thousand long tons.

The average gross wellhead price received for crude oil was \$7.29 per barrel, an increase of \$1.57 per barrel over the \$5.72 received in 1974. The average natural gas price was 70¢ per MCF, an increase of 40¢ over last year's average of 30¢. The benefits of these increased wellhead prices were largely offset by high royalty rates, taxes and the non-deductibility of royalties for tax purposes.

The Company's oil and natural gas reserves are mainly located in Alberta. Your Company is now required to market crude oil through the Alberta Petroleum Marketing Commission and to sell its natural gas in accordance with the provisions of the new Alberta Natural Gas Pricing Agreement Act. In this latter respect the price averaging provisions contained in this Act negate price clauses in the existing natural gas purchase contracts between pro-

ducers and transmission companies and resulted in an equalized price of about 95¢ per MCF being paid to Alberta gas producers effective November 1, 1975.

At December 31, 1975, the Company's remaining proven reserves of crude oil and natural gas liquids, before royalty, were estimated at 77.6 million barrels; natural gas reserves were estimated at 747 billion cubic feet; and sulphur reserves at 2.6 million long tons.

During 1975 the Company participated in the drilling of 65 wells in which varying interests were held. The programme resulted in 7 oil wells and 22 gas wells.

A drilling and geophysical programme was continued in the Erith gas area at Coalspur in central Alberta in order to delineate the indicated gas field. Subsequent step-out drilling at Royce, Alberta, where the Company and a partner discovered gas in 1974, resulted in 2 additional gas wells. Additional gas reserves resulted from successful gas development wells at Marlboro and Pine Creek in the Whitecourt project. A shallow gas development programme in central Alberta met with reasonable success in that some 8 to 10 million cubic feet daily were added to our productive capacity at a modest capital outlay.

In connection with our frontier exploration, 2 onshore wells were drilled and abandoned on Prince Edward Island in the Maritime project at no cost to the Company. In the Arctic Islands where the Company holds a 2% net carried interest in 75 million acres, Panarctic announced what may prove to be a significant oil discovery at Bent Horn on Cameron Island. There was no drilling activity in Hudson Bay in 1975 and our net acreage holdings were substantially reduced from 1.1 million acres to approximately 300,000 acres. As at December 31, 1975, the Company held varying interests in approximately 15.7 million gross acres of permit type petroleum rights and 2.4 million acres of leases. The Company's net position was 3 million and 1.1 million respectively for a total of 4.1 million net acres.

The Company's application on behalf of itself and its partners to develop holdings in the Athabasca Oil Sands was approved by the Alberta Energy Resources Conservation Board on January 30, 1975, subject to final provincial authorization. The project is designed to produce 122,500 barrels of synthetic crude daily. We can only proceed with it if satisfactory fiscal arrangements are concluded with the Provincial and Federal Governments regarding royalties, taxes and government participation in view of the enormous capital outlay involved.

A highly coordinated drilling crew making a drill pipe connection during operations at a rugged foothills location in the Wildcat Hills gas field some 35 miles west of Calgary.

The Company has for many years held varying interests in coal properties, mainly in Alberta. Realizing the beneficial impact on Canada's long range energy supply that development of these reserves might have, the Company has recently taken positive steps to expand these interests. We assigned staff to the projects and conducted geological surveys in various areas. During the past year we intensified our activity by way of a direct acquisition of 6,000 acres of leases in Alberta from the Crown, by obtaining the right to earn up to a 50% interest in a 30,000 acre farm-out in the West Ram River area and by purchasing for cash certain other leases adjoining the latter holding.

The exploration and producing sector of the industry is now virtually under total government control either by direct regulation and legislation, or indirectly through the impact of excessive government taxation. During 1976 we expect an increase in wellhead prices, but to have any significant meaning in terms of increased cash available for exploration these price improvements must be accompan-

ied by lower royalty rates and more favourable income tax provisions. Our plans to proceed with frontier exploration await the long delayed Federal Land Regulations which, it is hoped, may be forthcoming in 1976.

SUPPLY & REFINERY SALES

During 1975 the large marine vessels which transport crude oil for the Company's refinery travelled approximately 500,000 nautical miles (excluding the return voyage) through the Persian Gulf, the Indian and Atlantic Oceans.

The ships carried over 23 million barrels of oil from the Middle East to Portland, Maine, at which latter point the oil was pumped through the Portland/Montreal Pipe Line system to the Company's refinery at Pointe-aux-Trembles, Quebec.

During the year, while freight rates remained reasonably stable, the price of crude oil was again increased by the OPEC countries to the extent of approximately \$1.00 per

barrel. Imported crude oil is subsidized by the Federal Government in an effort to equalize the laid-down cost of all crude oils in Canada, whether from domestic or foreign sources.

In 1975 substantial progress was made on the construction of the Sarnia to Montreal extension of the Interprovincial pipeline, with the intention of bringing approximately 250,000 barrels per day of western Canadian crude oil to Montreal by late 1976. The cost of filling the line with 2,800,000 barrels of crude oil and the tariff charge from Edmonton to Montreal still require resolution.

PETROCHEMICALS

During the year it was considered advisable to create a new organization to develop more actively the petrochemical aspect of the Company's business. The manufacture of these valuable products and their distribution world-wide is complex and it was felt that optimum results could be more easily achieved through a new organization devoted





solely to these objectives. Consequently, a new company was formed called Petrofina Canada Chemicals Ltd. This is owned 51% by your Company and 49% by Cosden Oil & Chemical Company which, in turn, is wholly-owned by American Petrofina, Incorporated.

The Cosden group have been engaged extensively in the petrochemical business for many years and their assistance in this area will be of considerable value.

During 1975 over 25 million gallons of benzene, toluene and orthoxylene were manufactured and sold in various parts of the world. It is expected that this phase of the Company's business will assume even greater importance in future years.

MANUFACTURING

Crude oil charged to the refinery during the year totalled 26,601,000 barrels for an average of nearly 73,000 barrels per calendar day. This record quantity is an increase of 3,962,000 barrels, or 17.5% over the previous year.

The crude oil utilized by the Company originates almost entirely in the Persian Gulf area. The refinery now has sufficient desulphurizing capacity to process high sulphur crudes and meet environmental standards.

The Company produces a wide variety of petroleum products including motor gasoline, aviation gasoline, petrochemical feedstocks, stove, furnace and diesel oils, asphalt and heavy fuels, and others, which total 80 in number.

Construction of three major units was completed during the year. A 27,000 BPD Hydrofiner was commissioned the end of April and performance was excellent during the remainder of the year. This unit was necessary to keep pace with the expanded naphtha production from the crude units and served to desulphurize the naphtha feed to the reformers.

A 20,000 BPD Powerformer was placed on stream in July. This unit is necessary to keep pace with crude oil capacity. It produces a high octane gasoline component and provides feed for the aromatics units.

A waste water treating unit of 5,000 BPD capacity was placed in operation in late June. The unit is designed to remove hydrogen sulphide and ammonia from waste water produced mainly in the cracking units. Performance of the unit has been excellent and the effluent water meets environmental regulations for the two above-mentioned contaminants. This unit is one of the most important steps in our environmental programme.

In addition to the above-mentioned units, the installation of the new computer control system on the aromatics complex and large crude unit was completed during the fourth quarter. At the end of the year the system was undergoing test procedures prior to start-up.

MARKETING

Limited growth in the demand for petroleum products and excess refining capacity, particularly in eastern Canada, continued to plague the oil industry throughout 1975. As a result, 1975 was marked by severe competition in all areas, accompanied by a substantial deterioration in product prices. Nevertheless your Company succeeded in making significant volume gains substantially in excess of market growth.

The principal activity throughout this year was the introduction of an aggressive retail gasoline self-serve programme. Results so far achieved are extremely encouraging.

Most of the 1976 model cars are now equipped with catalytic converters making necessary the use of lead-free gasoline. The introduction of this product in our retail outlets was consequently accelerated in anticipation of a significant increase in demand.

Columns of energy at Petrofina's Pointe-aux-Trembles Refinery are capable of processing some 95,000 barrels daily.

A large number of new independent dealers were added to our network of service stations providing desirable representation in selected marketing areas.

The Company continued its programme of disposing of unsuitable service stations and approximately 70 properties were sold during the year.

The Company increased its sales emphasis on jet fuel and executed a new contract with a principal Canadian carrier.

Asphalt sales also showed a major increase and about one-half of the 420 mile highway from Matagami to the main James Bay hydro project is "Petrofina Paved".

Fina launched several Self-Serve outlets in 1975. At this newest location in Montreal, even the ladies readily take to filling up their own cars.

FINANCIAL

The Company enjoyed a reasonably satisfactory year and achieved the following results: —

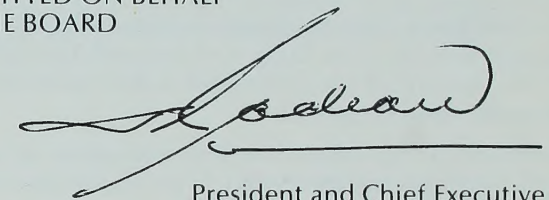
	1975	1974
Net earnings	\$32,766,000	\$30,561,000
— per share	3.28	3.06
Cash generation from operations	76,684,000	65,771,000
— per share	7.68	6.59

During the year the following capital amounts were invested:

	1975	1974
Exploration and production	\$11,878,000	\$ 9,224,000
Manufacturing	9,163,000	18,795,000
Marketing	11,913,000	6,424,000
	\$32,954,000	\$34,443,000

At the end of the year the Company's working capital had reached \$71,930,000 compared with \$50,683,000 in the previous year. Dividend payments to shareholders amounted to \$10,973,000 (\$1.10 per share) compared with \$8,978,000 (\$0.90 per share) in the previous year. In this respect the new Anti-Inflation Act and Regulations place certain restrictions on the operations of a large number of Canadian corporations, including your Company. In particular, dividends are restricted to the amount paid during 1975.

SUBMITTED ON BEHALF
OF THE BOARD



President and Chief Executive Officer
March 10, 1976.



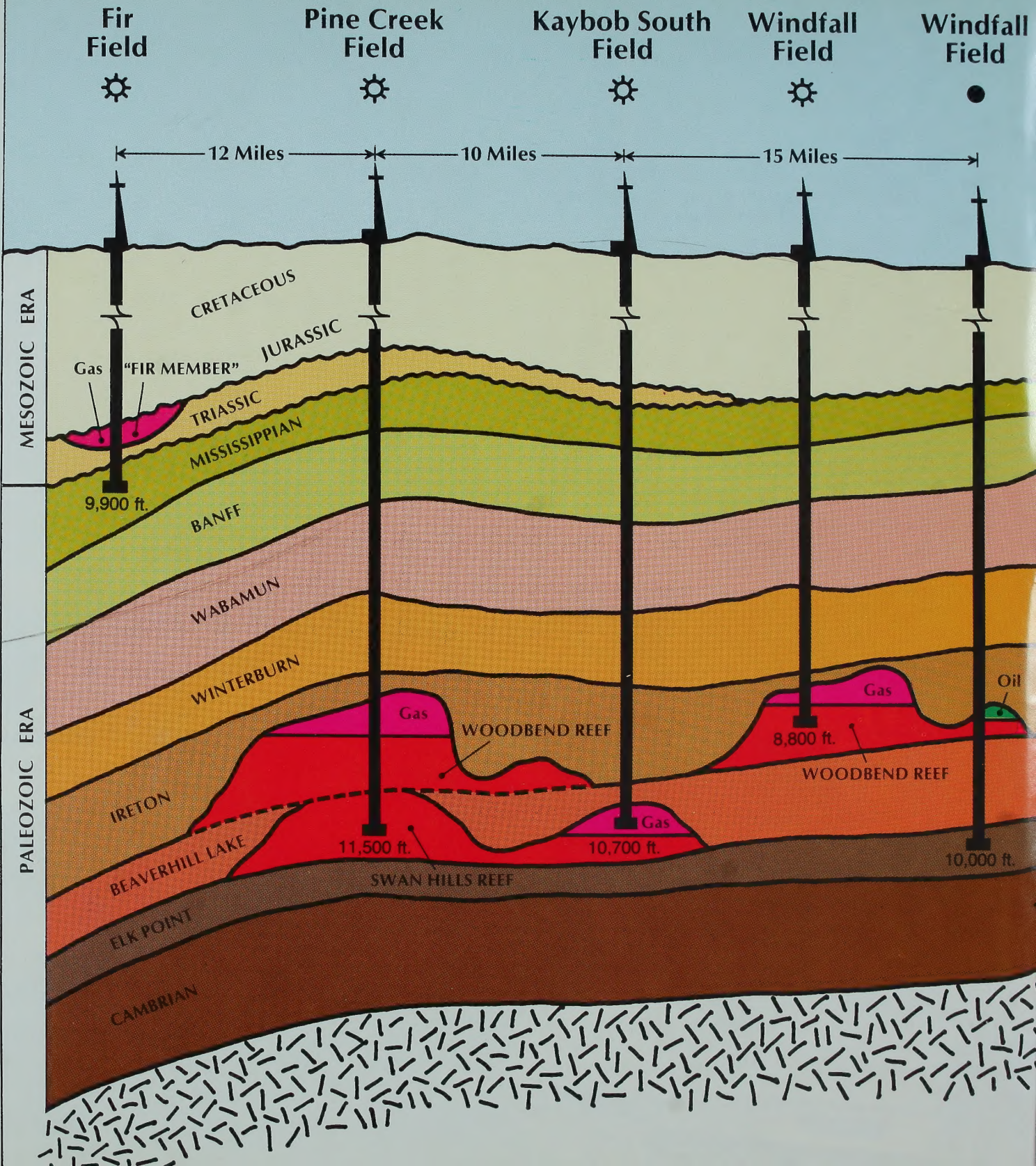
Geological schematic cross-section of the Whitecourt, Alberta project in which the Company holds varying interests.

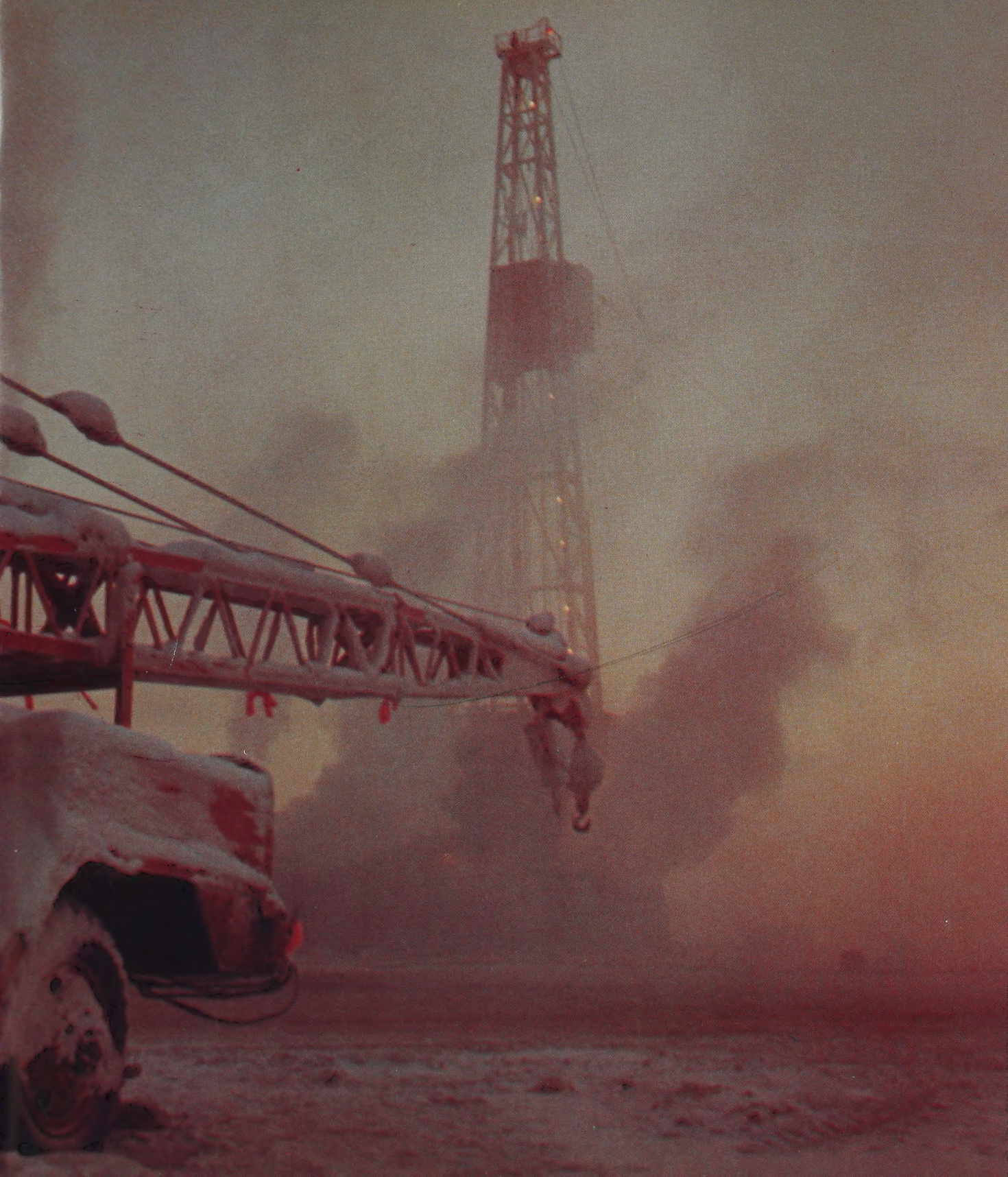
DEEP SOURCES

The petroleum industry has many unusual and often frustrating characteristics. In addition to the innumerable technical problems involved in the search for, discovery, production, manufacturing and marketing of its products, the industry is one of the few, if not the only one, which deals with a raw material about 200 million years old and which sells finished products the consumer does not see, such as gasoline for the car and fuel oil or natural gas for the home.

Crude oil and natural gas are found in porous rock formations at depths as much as 30,000 feet beneath the earth's surface. No tool except the drilling bit is able to determine, with certainty, their presence.

A combination of the competitive free enterprise system and man's ingenuity has explored for, produced and transported crude oil to refining centres around the world where a remarkable array of some 3,000 different products are manufactured from this hydrocarbon mixture.





HABITAT OF CRUDE

Nature, in its diabolic perversity, created the oil reserves for the most part in wilderness or under the seas of the world. Not only did she bury the reserves deeply, but frequently created above them a surface atmosphere of burning desert sands, wild Arctic storms or mountainous ocean waves. Large amounts of risk money are required to find and develop the oil and gas reserves and it is also necessary to attract hardy, intelligent and dedicated groups of geologists, geophysicists, engineers and drillers willing to withstand the elements and the dangers in an effort to locate the elusive reserves beneath the earth's surface.

The search for oil and gas goes on year round, making this venture one of the most demanding for both men and machines. This photo was taken at a Panarctic Oil drilling site in the Canadian Arctic Islands. Petrofina Canada holds a 2% carried interest in Panarctic's net production income.

The main 24-inch incoming crude oil pipeline, originating in Portland, Maine, rises out of the ground at the Montreal East terminal.

CRUDE OIL EXPRESSWAY

The problems of transporting crude oil and natural gas from the relatively uninhabited places of the world to the consuming centres present major obstacles. The world is now consuming about 53 million barrels, or one billion, eight hundred and fifty-five million gallons of petroleum each day.

Ocean tankers and/or pipelines traverse the world to feed the refineries with their daily requirements of crude oil. Ocean voyages of 12,000 miles are not unusual. In Canada, the Interprovincial pipeline, when completed to Montreal in 1976, will traverse 2,200 miles of Canada and the United States.

The logistics problem of transporting crude oil and natural gas involves not only highly qualified technical people, but major financial commitments from the private sector.



Refinery distillation columns which separate liquid hydrocarbons into finished products.

DISTILLATION INTO VARIETY

Most people think of refineries as units which change crude oil into only gasoline and home heating oils. The fact is that many other products are manufactured. In the case of Petrofina, our refinery at Pointe-aux-Trembles, Quebec, produces about 80 different products ranging from asphalt to the exotic feedstocks such as benzene for the petrochemical industry. The cost of this facility was over \$160 million. This highly sophisticated plant, operating 24 hours per day, every day of the year, brings to Canadians the products needed for their comfort, their mobility, and a better way of life.



Fina supplies gasoline, diesel fuel, heating oil, lubricants and vehicle accessories to a bustling farming industry.



PETROLEUM FOR THE PUBLIC

The 200 million year old crude oil has now been transformed into the useable products familiar to the public. The modern aircraft, automobile and train which provide mobility in our environment are all fuelled by the remarkably efficient products manufactured from crude oil.

In homes and commercial buildings various types of fuel oil provide the comfort and convenience of modern living, while plastics, fertilizers and paints join the long list of products which contribute to employment and a high level of industrialized activity.

Fina jet fuel is pumped into aircraft wing tanks by special fuelling trucks that tap a vast hydrant system. Fuel comes directly from the refinery by pipeline and is stored in huge airport reservoirs.



Petrofina supplied more than 26,000 tons of asphalt cement used by James Bay Development Corporation to pave the first half of a 420-mile stretch of road between Matagami (487 miles north of Montreal) and Fort George (LG 2) on the shoreline of James Bay. James Bay is one of the largest hydroelectric developments in the world.



CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
year ended December 31, 1975
(with comparative figures for the year 1974)

	1975	1974
Revenues:		
Operating revenue	\$396,467,401	\$356,745,742
Interest and other	2,288,741	3,832,064
	<u>398,756,142</u>	<u>360,577,806</u>
Expenses:		
Product costs, operating and administrative expenses	301,847,733	271,321,108
Depreciation (note 1)	13,701,845	14,098,511
Depletion (note 1)	6,848,020	7,262,047
Amortization of premiums paid on acquisitions (note 1)	448,444	485,869
Interest on long-term debt	11,265,994	11,998,674
Other interest	2,445,353	4,185,219
Taxes other than income taxes	7,391,736	7,591,959
Income taxes	22,041,500	13,073,000
	<u>365,990,625</u>	<u>330,016,387</u>
Net earnings	<u>\$ 32,765,517</u>	<u>\$ 30,561,419</u>
Retained earnings, beginning of year		
As previously reported	\$ 96,162,120	\$ 74,092,490
Adjustment for change in accounting for premiums paid on acquisitions (note 1)	(5,277,781)	(4,791,912)
Adjustment of prior years deferred income taxes (note 2)	4,019,000	4,019,000
As restated	94,903,339	73,319,578
Add net earnings	32,765,517	30,561,419
	<u>127,668,856</u>	<u>103,880,997</u>
Deduct dividends	10,972,691	8,977,658
Retained earnings, end of year	<u>\$116,696,165</u>	<u>\$ 94,903,339</u>
Earnings per share	<u>\$3.28</u>	<u>\$3.06</u>

See accompanying notes

PETROFINA CANADA LTD.
AND SUBSIDIARIES
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

December 31, 1975

(with comparative figures as at December 31, 1974)

ASSETS

CURRENT:

	1975	1974
Cash	\$ 12,180,218	\$ 11,874,144
Short term deposits	24,500,000	7,000,000
Accounts receivable, less allowance for doubtful accounts	75,939,852	58,955,145
Oil import compensation receivable or accrued (note 1)	23,722,259	27,193,759
Due from affiliated companies	1,735,678	2,969,367
Inventories (note 1)		
Oil products and other merchandise	71,423,290	41,809,453
Materials and supplies	7,294,075	6,225,276
Prepaid expenses	4,332,792	2,651,448
Total current assets	221,128,164	158,678,592
INVESTMENTS AND ADVANCES (note 3)	17,177,891	15,898,282
PROPERTIES, PLANT AND EQUIPMENT (note 4)	276,108,585	269,273,948
DEFERRED CHARGES	2,107,193	1,483,416
PREMIUMS PAID ON ACQUISITIONS (note 1)	3,905,055	4,061,105
	<u>\$520,426,888</u>	<u>\$449,395,343</u>

On behalf of the Board:

A.F. CAMPO, Director

P.A. NADEAU, Director

See accompanying notes

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT:**

	1975	1974
Accounts payable and accrued charges	\$ 44,808,587	\$ 33,063,542
Unclaimed dividends	896,384	583,359
Due to parent company	30,322,257	12,215,415
Due to affiliated companies	4,126,028	2,481,074
Notes and bills payable	56,716,738	48,541,260
Current maturities of long-term debt	12,328,210	11,111,043
Total current liabilities	149,198,204	107,995,693

ADVANCES BY PARENT COMPANY

(U.S. \$5,000,000) not due within one year	4,980,000	4,980,000
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LONG-TERM DEBT (note 5)	93,636,384	108,260,628
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Total liabilities	247,814,588	221,236,321
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DEFERRED INCOME TAXES (note 2)	40,559,000	17,954,000
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MINORITY INTEREST (note 1)	55,452	—
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SHAREHOLDERS' EQUITY:**Capital****Common shares of \$10 par value:**

Authorized — 12,000,000 shares		
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Issued — 9,975,174 shares	99,751,740	99,751,740
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Contributed surplus	15,549,943	15,549,943
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Retained earnings (notes 1 and 2)	116,696,165	94,903,339
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	231,997,848	210,205,022
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	\$520,426,888	\$449,395,343
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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
year ended December 31, 1975
(with comparative figures for the year 1974)

	1975	1974
SOURCE OF WORKING CAPITAL:		
Operations —		
Net earnings	\$ 32,765,517	\$ 30,561,419
Depreciation, depletion and amortization	21,313,281	22,136,399
Deferred income taxes	22,605,000	13,073,000
Total funds from operations	76,683,798	65,770,818
Long-term borrowings	350,536	15,908,902
Sale of properties, plant and equipment	5,569,430	1,975,163
Minority interest	55,452	—
Net decrease in investments and advances	—	672,151
	<u>82,659,216</u>	<u>84,327,034</u>
APPLICATION OF WORKING CAPITAL:		
Additions to properties, plant and equipment	32,953,932	34,442,901
Repayments of long-term debt	14,974,780	13,820,516
Dividends	10,972,691	8,977,658
Net increase in investments and advances	1,279,609	—
Premiums paid on acquisitions	292,394	93,701
Net increase in deferred charges	938,749	284,267
	<u>61,412,155</u>	<u>57,619,043</u>
Net increase in working capital	21,247,061	26,707,991
Working capital, beginning of year	50,682,899	23,974,908
Working capital, end of year	<u>\$ 71,929,960</u>	<u>\$ 50,682,899</u>

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 1975

1. SUMMARY OF ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of Petrofina Canada Ltd. and its subsidiaries, all but one of which are wholly-owned. During the year the Company acquired a 51% interest in the shares of a newly-incorporated company, Petrofina Canada Chemicals Ltd.

b) Inventories

Oil products and other merchandise are shown at the lower of cost and net realizable value. Cost of oil products has been determined on the basis of the last-in, first-out method except for crude oil in transit, which is carried at actual cost. Inventories of materials and supplies are shown at the lower of average cost and replacement value.

c) Producing properties

The full-cost method of accounting is followed wherein all costs related to the exploration for and the development of oil and gas reserves are capitalized. The total costs thus capitalized are depleted on the composite unit of production method based on the estimated reserves of oil, gas and other saleable products. Depreciation on production equipment, gas plants and related facilities is provided on the same basis.

d) Refining, marketing and other properties and equipment

Depreciation is based on the estimated service lives of the assets, calculated on the straight-line method, except for motor vehicles where the diminishing balance method is used. Depreciation is calculated at the following average rates: *Buildings*: 2½%; *Equipment*: 6⅔%; *Motor vehicles* 30%.

e) Premiums paid on acquisitions

Premiums represent the excess of the purchase price over the value ascribed to net tangible assets of businesses acquired. During the year the Company adopted retroactively the policy of amortizing premiums, from the date of acquisition, on a straight-line basis over periods ranging from five to thirty years. The effect of this change was to decrease 1974 and 1975 net earnings by \$485,869 (\$0.05 per share) and \$448,444 (\$0.04 per share) respectively and to reduce retained earnings at January 1, 1974 by \$4,791,912.

f) Foreign currencies

Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities — at the rates of exchange prevailing at year-end; long-term debt and advances by the parent company — at the rate of exchange prevailing at the date the debt was incurred; revenues and expenses — at average rates of exchange prevailing through the year.

g) Oil import compensation

Under the oil import compensation program the Federal Government compensates eligible importers for certain cost increases with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintains prices for certain products obtained from imported petroleum at levels not to exceed those suggested by the Government. Compensation received or recoverable under this program is reflected as a reduction of product costs or inventories as applicable.

h) Pension plans

Current service costs of pension benefits are accrued and funded on a current basis. During the year the Company made certain improvements to its pension plan and as a result the unfunded past service liability is estimated, on a present value basis, to be \$7,700,000, which will be funded and charged to income by equal annual payments over the next fifteen years.

2. INCOME TAXES

During a review of the calculations for deferred income taxes it was determined that an adjustment for years prior to 1974 should properly be made in the amount of \$4,019,000. Retained earnings at January 1, 1974 have been increased and the amount of accumulated deferred income taxes decreased to reflect this change.

3. INVESTMENTS AND ADVANCES

Investments are at cost and consist of a 2% carried interest in the net production income of Pan-arctic Oils Ltd., and shares of pipeline companies. Advances consist of mortgages and other receivables.

4. PROPERTIES, PLANT AND EQUIPMENT

	1975			1974
	Cost	Accumulated depreciation and depletion	Net book value	Net book value
Producing properties	\$215,036,527	\$100,410,670*	\$114,625,857	\$111,705,851
Refining	168,848,722	65,675,673	103,173,049	101,785,453
Marketing	93,743,933	35,434,254	58,309,679	55,782,644
	<u>\$477,629,182</u>	<u>\$201,520,597</u>	<u>\$276,108,585</u>	<u>\$269,273,948</u>

* includes depletion of \$79,696,489

5. LONG-TERM DEBT

Secured:

Production loans secured by certain oil and gas properties, payable in various amounts through 1982 with interest rates varying between prime rate and 1% above prime rate	\$ 8,158,089	
Other loans (mainly mortgages on real estate)	327,600	\$ 8,485,689

Unsecured:

Loans with interest between ½% and 1¼% above the prime rate, due in varying annual instalments through 1983	86,209,844	
6½% promissory notes totalling U.S. \$5,200,000 payable U.S. \$850,000 annually to 1980 and the balance in 1981	5,613,145	
6% loans due in varying semi-annual instalments from 1976 to 1981 (U.S. \$3,632,980)	3,608,350	
Non-interest-bearing advances made to finance the development of certain gas reserves, repayable out of production	1,794,665	
Other loans	252,901	97,478,905

Less instalments included in current liabilities		12,328,210
		<u>\$ 93,636,384</u>

Annual payments required to retire long-term debt amount to approximately \$12,158,000 in 1977, \$10,950,000 in 1978, \$25,693,000 in 1979 and \$14,169,000 in 1980.

Included in the covenants contained in agreements relating to certain of the long-term debts are restrictions limiting the amount of consolidated long-term debt and the payment of dividends by the Company. Dividends cannot be declared or paid if, as a result, the consolidated retained earnings are reduced below \$13,539,000. Consolidated retained earnings as at December 31, 1975 were \$116,696,165.

6. COMMITMENTS AND CONTINGENCIES

Annual rentals payable on long-term leases (three years and over) for real property amount to approximately \$3,206,000 (1974 — \$3,832,000).

At December 31, 1975 the Company was contingently liable for notes discounted in the amount of \$963,000.

7. REMUNERATION OF DIRECTORS AND OFFICERS

During the year, the seventeen directors and one former director of the Company received \$35,000 as directors and ten officers and three former officers of the Company (four of whom were directors) received \$880,000 as officers.

8. ANTI-INFLATION PROGRAM

Effective October 14, 1975 the Federal Government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the Company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends. The effects on the Company of the Regulations on prices, profit margins and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the Company's records.

AUDITORS' REPORT

To the Shareholders of
Petrofina Canada Ltd.:

We have examined the consolidated balance sheet of Petrofina Canada Ltd. and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at

December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of accounting for premiums paid on acquisitions explained in note 1 to the consolidated financial statements.

Clarkson, Gordon & Co.
Chartered Accountants

Montreal, Canada, February 12, 1976.

**TEN YEAR REVIEW
OF OPERATIONS**

Statistical	1975	1974
Crude oil and natural gas liquids production, before royalty (thousands of barrels)	7,664	9,455
Natural gas sales, before royalty (millions of cubic feet)	30,525	30,935
Number of wells drilled in which Company had participation	65	51
Number of wells completed in which Company had participation	29	23
Sulphur sales (long tons)	144,500	173,000
Gross acreage (thousands of acres)	18,100	30,600
Net acreage (thousands of acres)	4,100	5,000
Crude oil runs to refinery stills (thousands of barrels)	26,601	22,639
Total outlets used in distribution of refined products	1,462	1,552
Number of employees	2,347	2,203
Financial (in thousands of dollars)		
Revenue	398,756	360,578
**Net earnings	32,766	30,561
**Depreciation, depletion and amortization (including amortization of excess cost)	21,313	22,136
Total cash generated	76,684	65,771
Working capital	71,930	50,683
**Total assets	520,427	449,395
Long-term debt	93,636	108,261
**Book value of shareholders' equity	231,998	210,205
*Includes special non-recurring write-off of \$3,446,000		
**Prior years have been restated to reflect deferred income taxes and amortization of premiums paid on acquisitions.		

1973	1972	1971	1970	1969	1968	1967	1966
10,916	7,972	6,413	6,217	5,324	5,151	5,305	5,104
34,004	34,585	32,202	32,306	27,945	24,969	23,494	22,057
75	61	44	54	85	89	76	119
28	28	9	15	44	42	41	74
221,000	106,000	106,000	124,400	105,700	52,400	81,100	74,900
32,400	34,500	35,700	76,300	76,700	88,000	15,700	6,200
6,300	6,400	6,700	8,900	10,400	11,300	5,500	2,900
22,472	21,266	21,354	20,671	19,125	17,666	15,852	13,290
1,593	1,561	1,567	1,609	1,625	1,739	1,731	1,755
2,191	2,046	2,032	2,057	1,616	1,607	1,491	1,388

338,531	235,961	191,346	182,621	179,079	162,712	155,709	143,828
24,871	18,455	13,609*	15,305	12,869	11,346	10,378	9,138
19,975	14,996	16,170*	11,503	10,169	10,071	10,624	9,705
43,691	33,566	32,339	27,745	23,243	22,774	21,082	18,920
23,975	17,220	16,852	16,598	15,513	15,586	15,052	15,721
400,765	361,015	314,385	298,360	269,321	244,033	241,278	226,959
106,172	103,550	88,785	65,384	55,772	46,739	49,500	39,838
188,621	172,177	161,414	154,705	146,334	141,702	136,077	131,300

DIRECTORS AND OFFICERS

Principal officers

A.F. Campo, *Chairman of the Board*

P.A. Nadeau, *President and Chief Executive Officer*

SENIOR VICE-PRESIDENTS

Donald Harvie, *Exploration & Production*

K.S.C. Mulhall, *Treasurer*

VICE-PRESIDENTS

J.E. Baugh, *Exploration & Production*

G.A. Craig, *Comptroller*

A.W. McLeod, *General Counsel and Secretary*

N.S. Mahlab, *Administration*

R.J. Redding, *Marketing*

N.H. Van Son, *Supply & Refinery Sales*

Directors

W.A. Arbuckle, *Chairman, Celanese Canada Limited*

A.F. Campo, *Chairman of the Board, Petrofina Canada Ltd.*

F.M. Covert, *O.B.E., D.F.C., Q.C., Senior Partner, Stewart, MacKeen & Covert*

A. Demeure de Lespaul, *President and Chief Executive Officer, Petrofina S.A.*

W.L. Forster, *C.B.E., Consultant*

Richard I. Galland, *President, American Petrofina, Incorporated*

The Hon. J.J. Greene, *P.C., D.F.C., Q.C., Member, Soloway, Wright, Houston & Greenberg*

Donald Harvie, *Senior Vice-President, Petrofina Canada Ltd.*

Emmanuel Lamy, *Honorary Chairman, Crédit du Nord et Union Parisienne*

John D. Leitch, *President, Upper Lakes Shipping Ltd.*

Roger Létourneau, *Q.C., Senior Partner, Létourneau, Stein, Marseille, Delisle & LaRue*

J. Meeus, *Chairman, Petrofina S.A.*

K.S.C. Mulhall, *Senior Vice-President and Treasurer, Petrofina Canada Ltd.*

P.A. Nadeau, *President and Chief Executive Officer, Petrofina Canada Ltd.*

Blancke Noyes, *Senior Vice-President, Hornblower & Weeks-Hemphill, Noyes Inc.*

Sam Steinberg, *Chairman of the Board and Chief Executive Officer, Steinberg's Limited*

Peter N. Thomson, *Deputy Chairman, Power Corporation of Canada Limited*

Executive Offices

The Royal Bank of Canada Building,
1 Place Ville Marie, Montreal, Québec.
H3B 4A9

Auditors

Clarkson, Gordon & Co.

Transfer Agent

Montreal Trust Company

Registrar

The Royal Trust Company


PETROFINA CANADA LTD.
Map of Land Holdings

Legend

 OIL PRODUCTION
 GAS PRODUCTION

 COMPANY LAND INTEREST
 W.I. WORKING INTEREST
 C.I. CARRIED INTEREST

DECEMBER 31, 1975





Athabasca Oilsands Project
(PETROFINA 35-34% W.I.)

Whitecourt Projects
(PETROFINA 8-33% to 58-33% W.I.)

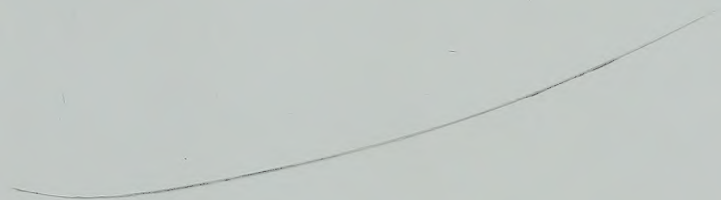
FINA PETROFINA CANADA LTD.
Map of Land Holdings

Legend

- OIL PRODUCTION (Green)
- GAS PRODUCTION (Yellow)
- OIL PIPELINE (Blue line)
- GAS PIPELINE (Red line)
- COMPANY PIPELINE INTEREST (Red star)
- COMPANY OPERATED PLANT (Red square)
- COMPANY LAND INTEREST (Red outline)
- COMPANY UNIT INTEREST (Red dot)

DECEMBER 31, 1975

NOTE: GRID AREA IS FOUR TOWNSHIPS





PETROFINA CANADA LTD. LTÉE

TELEPHONE: (514) 866-3911 — TELEX: 05267593

1 PLACE VILLE MARIE — C. P. 3006 STATION B

MONTREAL 113. P.Q.

PRESS RELEASE

FOR RELEASE WEDNESDAY, MAY 7, 1975

For information: K.S.C. Mulhall
Senior Vice-President & Treasurer
514 - 866-3911

The Company's net income for the first quarter of 1975 amounted to \$8,489,000 (85¢ per share) compared with \$7,668,000 (77¢ per share) in 1974.

Cash generated from operations was \$19,121,000 (\$1.91 per share) while the figure for the previous year was \$13,402,000 (\$1.34 per share).

Comparative production figures for the first quarter were as follows:-

	<u>1975</u>	<u>1974</u>
Crude Oil and Natural Gas Liquids	1,906,000 bbls.	2,593,000 bbls.
Natural Gas	7,880,000 MCF	8,420,000 MCF

The substantial decline in production of crude oil and natural gas liquids is a direct result of Federal Government policy to cut back Canadian exports of liquids to the United States. We are concerned with this decision and its impact on production from the Company's properties.

The Company's refinery processed 6,781,000 barrels of crude oil, compared with 6,505,000 in the corresponding period last year. The new large reformer, now in the process of completion, is expected to go on stream within the next few months and this will enable the Company to produce greater volumes of petrochemical feedstocks and gasolines.

